

MAY 23 2000

March 30, 2000

Department of the Army
Walla Walla District Corps of Engineers
Attention: Lower Snake River Study
201 North Third Avenue
Walla Walla, WA 99362-1876

RE: Lower Snake River Juvenile Salmon Migration Feasibility Study: Draft Feasibility Report and Environmental Impact Statement

The Oregon Farm Bureau Federation (OFBF) is the Oregon's nation's largest general agriculture interest organization. As such, we represent over 20,000 of Oregon's farm and ranch families. Many of these agriculture producers depend on the infrastructure benefits provided by the rural communities along the Columbia River System. The key to benefit of the river to the general economy of the state of Oregon is the transportation system provided by the River. The transportation system on the Columbia River not only makes the production of crops economically feasible in our state but supports agriculture in the states of Idaho and Washington. The agriculture production of all three states supports the rural economy along the river system that in return continues to provide the infrastructure necessary for continued agriculture production. It is a balanced and growing economic situation, providing family waged stable employment, that would be disrupted and destroyed if the Snake River dams were removed.

Virtually all commodities of the Columbia/Snake river basin must be moved from where they are grown to where they are processed or exported. Transportation infrastructure, and the provision of competitive transportation options for agricultural shippers, is critically important to the future economic viability of agricultural production in the United States. The system fostered by these dams is a model for the present and future economy of the Pacific Northwest.

We are therefore very concerned about recent proposals to breach the Ice Harbor, Lower Monumental, Little Goose, and Lower Granite dams, rendering the 174-mile Lower Snake River waterway between Lewiston, Idaho and the Tri-Cities area of Washington state inoperable. The net effect of this action would be to put the Port of Lewiston and a number of grain loading facilities between Lewiston and the Tri-Cities out of business; threaten the future of the seaports of Portland and Seattle. The proposal would reduce competitive shipping opportunities for agricultural shippers, reduce commodity prices for farmers in Washington, Oregon, Idaho, Montana, and western North Dakota while increasing emissions due to increased use of non-barge forms of transportation. Land transportation would also increase congestion and damage highway infrastructure of the region as commodities that were shipped by barge are shifted to trucks. The commonly accepted benefits of this proposed action, both for salmon restoration and economic development, are illusory. We, therefore, oppose the proposed action to breach these dams and urge the Corps to adopt less costly strategies to improve the environmental values of the region without destroying a prime engine of its economy.

In this set of comments, the OFBF will be centered around, but not limited to the transportation impact of the dam-breaching proposal and its negative impact on the economy of the region and of U.S. agriculture as a whole.

Farm Bureau has long been concerned with ensuring that agricultural shippers have competitive shipping options, both inter- and intra-modal. Transportation bottlenecks are already eroding the competitive advantage traditionally enjoyed by U.S. farmers in the world markets. These include: Monopoly market power enjoyed by railroad companies in the western states; needless restriction and general lack of availability of deep-water bulk cargo capacity for U.S. coastwise agricultural trade due to the Jones Act; federal restrictions that prevent western states from allowing use of heavier tucks where appropriate for the transportation of bulk agricultural commodities; and the aging and deteriorating inland waterway infrastructure in the Upper Midwest. Proposals to breach Lower Snake River dams that create a critical waterway transportation system for wheat to West Coast ports will increase transportation problems and decrease our ability to market agriculture products.

The Corps' draft feasibility study suffers from critical flaws with regard to its assumption that alternative transportation modes will be capable of transporting the region's agricultural commodities in the absence of the Lower Snake River waterway. First, the Corps' summary assumes there will be no changes in relative prices of transportation services for agricultural producers in the region:

1 "... the costs developed in this analysis assume a perfectly competitive market and do not take in account possible rail and truck transportation rates that may occur in the absence of navigation. It also assumed that current and projected levels of exports from the region would continue under the dam breaching scenario." (Draft Lower Snake River Juvenile Salmon Migration Feasibility Report/Environmental Impact Statement; Appendix I, Economics, page ES-9)

This assumption is, of course, not realistic. The Corps cannot make any sort of realistic analysis of the dam-breaching alternative without taking into account its effect on inter-modal transportation competition. Proponents of dam-breaching contend that other modes, such as railroads or over-the-road trucks, can fill the gap left when the barge industry no longer operates on the Lower Snake River. OFBF believes the Corps has failed to consider a variety of negative effects that would result from the removal of dams. One of the results would be a reduction in competition for the transportation of agricultural products. Barge transportation would be eliminated as an option and farmers will be forced to rely on rail and trucks.

2 With particular respect to railroads, we already know that railroad companies make a practice of engaging in differential pricing. In evaluating railroad rates, the ratio of revenue to variable cost is commonly used for regulatory purposes to determine if the rate is excessive and counter to the public interest. As illustrated in the comment to be submitted for this proceeding by the Oregon Wheat Growers League, variable cost ratios for grain shipments from various points in Idaho and Washington (regions now served by the Lower Snake River waterway) to Portland on railroads serving the region are all less than 120%; for grain shipments from various points in Montana and North Dakota to Portland (areas served exclusively by rail for long-distance movements) variable cost ratios all exceed 160% and in one case reaches 274%.

2
cont.

To give an example that may help clarify the value of transportation competition to farmers: Burlington Northern charges \$3,792 to move a hopper car in a 52-car train carrying 3,260 bushels of grain from Plentywood, Mont., 1,207 miles to Portland, Ore. That is about \$1.13 per bushel for rail transportation cost. From Alliance, Neb., to Portland, OR, (1,473 miles) Burlington Northern charges \$3,325, or about \$.99 per bushel. Thus, we have the odd situation that Nebraska farmers shipping from Alliance pay less per bushel to move their grain farther than their Montana counterparts shipping from Plentywood. Why should Montana farmers pay \$.24 per bushel more to ship their grain more than 200 fewer miles than Nebraska farmers? In this case, Nebraska farmers benefit to a limited degree from intra-modal competition between railroads, and inter-modal competition with Mississippi River barge services. As the Corps analyzes the potential impact of the dam-breaching proposal, it is vital to bear in mind that additional transportation costs to elevator operators, grain merchandisers and other agricultural shippers are borne by farmers in the form of lower grain prices when farmers sell their grain at the elevator. Farm Bureau believes that all farmers, including those in Montana and North Dakota, should enjoy the benefit of competition and Nebraska, Washington, Oregon, and Idaho farmers should continue to enjoy the benefits of competition they enjoy now.

3,4

Taking barge transportation service out of the picture for farmers in eastern Washington, eastern Oregon Idaho, and western North Dakota will decrease the price of grain in these regions, decrease farmers' profitability, and have serious economic consequences for the region. According to a recent study by HDR Engineering for the Port of Portland, the Oregon Department of Agriculture, the Oregon Economic and Community Development Department, and the Oregon Department of Transportation, agricultural land in eastern Oregon and Washington with yields of less than 45 bushels to the acre could be forced out of production. The study's authors estimated that dam-breaching could cost farmers in Wallowa County, Oregon as much as \$.13 per bushel as farmers are forced to rely on truck and rail to move their grain. Perhaps world markets for agricultural commodities may recover by the time any proposal to breach dams is implemented and \$.13 per bushel might not represent a crippling loss of income for farmers. In today's commodity markets, \$.13 per bushel will probably make the difference between making money and losing money.

In summary, there is no question that rail rates will increase as a result of removing barge competition on the Lower Snake River. The only question is how much rail rates will increase, how fast, and whether trucks can provide meaningful competition.

In addition to our primary concern about the viability of competitive alternatives to barge transportation, we have other concerns related to the costs and logistics of transportation of grain:

5

- Will the geography of the region permit the substantial improvements to the road and rail transportation systems that will be necessary to move 126 million bushels of grain? Many roads and railroads are already built in river valleys where there may not be suitable corridors to expand transportation capacity.
- Are local and state governments in the affected regions, and railroad companies serving the region, capable of financing the \$712 million to \$1.2 billion estimated by Lund Consulting and HDR Engineering to be needed to improve transportation infrastructure? Road funding is a perennial and difficult issue in most states and localities; Class I railroad companies are still shouldering massive debts as a result of recent consolidations, and short-line and regional railroads are chronically short of capital.

- Do sufficient grain facilities exist at either the Tri-Cities or Portland to unload grain from trucks and trains that formerly arrived by barge? How will needed improvements to these private facilities be financed? The Corps' draft feasibility report and economic impact statement simply assumes this problem away (Lower Snake River Juvenile Salmon Migration Feasibility Report/Environmental Impact Statement, page 13-60).

There are, aside from the economic problems posed by grain transportation, other problems the Corps does not seem to have considered:

- **Air Quality:** According to data from the Port of Portland, barges, on a per ton-mile basis, emit one-fifth of the hydrocarbons of rail and one-sixth of the hydrocarbons of trucks; less than one-third of the carbon monoxide of rail and about 10% of the carbon monoxide of trucks; and less than one-third of the nitrous oxide of rail and 5% of the nitrous oxide of trucks. The clean hydropower production would have to be replaced by natural gas with the associated noxious emissions.
- **Electricity:** The Corps acknowledges that dam breaching will cost rate-payers in the region, many of whom are farmers, \$271 million to replace electricity formerly generated by Lower Snake River hydropower facilities.
- **Irrigation:** Dam-breaching will leave 37,000 acres of currently-irrigated land high and dry, costing farmers in the region about \$15 million in lost farmland value and additional water costs.
- **Breaching:** According to the Corps, just breaching the dams will cost nearly \$1 billion, by far the most expensive option the Corps examined.
- **Uncertainty:** Both CRI and PATH analysis relied on many assumptions for their predictions. Lack of specific values for many components in both analyses generated outcomes with a high degree of uncertainty.
- **Temperature:** Breaching of the dams would very likely have a negative effect on the water temperature of the river in summer months.
- **Sediment:** 50 to 75 million cubic yards of sediment may move downstream adversely affecting fish downstream. Experts have indicated that they have no idea the potential effects of this sediment problem on the fish and their habitat. To top that off the same experts indicate that we do not have the experience, knowledge and therefore the ability to carry out the breaching process and avoiding untold amounts of ecological damage to the fish and their habitat.

It is beyond comprehension that anyone with any common sense would even question value and necessity of these snake river dams. OFBF urges the Corps to consider the huge costs to farmers and others in the region of dam breaching, and to adopt less costly and intrusive means of restoring salmon habitat.

Sincerely,

Peter S. Test,
Associate Director Government affairs